

TOP SECRET

1479

FAR EAST

1. Status of Dutch-Indonesian talks on New Guinea--US Ambassador Cochran in Djakarta has learned that the Netherlands and Indonesian delegations meeting at The Hague have agreed to the following points: (a) sovereignty over Netherlands New Guinea should be transferred to Indonesia; (b) the transfer should take place within 1951; and (c) a conference should be held in 1951 to reach agreement on seven specific points presented by the Indonesian delegation. Meanwhile, Cochran has learned from his British colleague that the Netherlands Government is greatly concerned over the welfare of Netherlands citizens in Indonesia if final agreement is not reached for the transfer of sovereignty.. The British Ambassador also said the Netherlands Government does not expect to obtain the requisite two-thirds parliamentary majority for transferring sovereignty and is considering the possibility either of standing on a simple majority or tendering its resignation on the issue, thus throwing the onus of disapproval on the opposition in Parliament.
2. Estimate of Asian opinion on Formosa question--US Consul General McConaughy in Hong Kong believes that British observers over-emphasize the adverse effect on Asian opinion which would result from US refusal to turn Formosa over to the Chinese Communists. McConaughy considers that the British view fails to give sufficient weight to the effect of such action on the Chinese themselves and notes the existence of a body of Chinese opinion in Hong Kong and elsewhere which would be "dismayed and disheartened" by the surrender of Formosa. It is McConaughy's belief,

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25X1

27

- 1 -

TOP SECRET

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TOP SECRET

CONFIDENTIAL

however, that regardless of the direction of Asian opinion on this question, the effect of any kind of appeasement on the Chinese Communists themselves is a matter of "over-riding importance." He feels that to yield under pressure and appease them with Formosa, or any other concession, would further confirm the Chinese Communists' belief in the effectiveness of their present policy, would dangerously increase their contempt for US military capability in the Far East, and would greatly strengthen and embolden those Communist elements who advocate an intimate alliance with the USSR. He believes that the Peiping regime would be encouraged to proceed immediately with further aggressive plans in Southeast Asia and concludes that if there ever was a time when concessions could alter the view of the Chinese Communist leadership, that time has long since past.

3. Chinese Communist intentions in Korea--

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the Chinese Communists intend to occupy all Korea unless prevented by force. [redacted] the Chinese Communists "fully expected the US" to bomb targets in Manchuria and elsewhere in China when the Chinese intervention in Korea could no longer be concealed. [redacted]

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this was the "important reason" why open Chinese Communist participation was delayed as long as possible; the Chinese Communists feared bombings would cut lines of communication from North China to Korea before essential military supplies could be moved there in sufficient quantity.

[redacted] US failure to bomb military objectives in China when Chinese Communist aggression became obvious was generally regarded [redacted] as evidence of US military and political weakness [redacted]

25X1

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TOP SECRET

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4. Chinese Communist troops reported in Indochina--
US Minister Heath in Saigon has been informed by the chief of the French counter-intelligence in Indochina that Chinese Communist troops have been observed in several operations in Tonkin, usually operating heavy equipment, notably artillery. The French official declared that French military intelligence will not officially admit the presence in Indochina of Chinese Communists until it can be proved, and perhaps not even then for fear of provoking Chinese intervention. According to the same source, 25,000 Viet Minh troops have recently returned to Tonkin from training in South China, bringing the total of Chinese-trained Viet Minh troops to 50,000. Source estimates that these troops, together with a minimum of 100,000 other Viet Minh troops, constitute a total force that the French "will have difficulty withstanding." He expects an attack perhaps at the beginning of January and certainly before the end of January.

- 3 -

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